



Trump tweets, carmakers jump

Donald Trump has made it clear: He doesn't like automakers building cars in Mexico and exporting them to the U.S.

With President-elect Trump elected on promises to renegotiate trade deals and bring back U.S. manufacturing jobs, automakers are aggressively spotlighting U.S. investments while waiting for a coherent trade policy from the new administration.

As the world's largest carmakers gathered for the Detroit Auto Show, they gave the impression that they're making big changes and putting U.S. production at the forefront amid harsh Twitter criticism from Trump over auto production in Mexico.

Despite its recent announcement, Toyota said it would not pull back on plans to build an assembly plant in Mexico in 2019.

The now-abandoned Ford plant is

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Help promote the show!

Materials shipped for auto show, 2017 concerns

All members of the Chicago Automobile Trade Association in good standing were sent materials Jan. 11 to help them get through the coming year and to help publicize the Chicago Auto Show, Feb. 11-20 at McCormick Place. It's your show; please promote it.

Packages sent via United Parcel Service to dealer principals and company presidents include the following:

- 1 CATA-member 2017 window decal; and
- 1 form to photocopy to order free supplies of odometer statements, used-car buyer's guides, used-car limited warranty statements, and emission control equipment statements.

Also, to promote the 2017 Chicago Auto Show, the shipment includes:

- 4 Chicago Auto Show easel cards;
- 2 Chicago Auto Show posters;
- 1 First Look for Charity poster;
- 2 Honored Guest tickets good for repeated admission throughout the auto show;
- 50 Employee Appreciation Day admission tickets, valid Feb. 13-17 and Feb. 20; and
- 200 discounted admission vouchers to offer to customers.

Don't forget to purchase additional admission tickets to the auto show as well as any First Look for Charity tickets.

Any member who does not receive the UPS shipment by Jan. 18 should notify the CATA. The shipments are trackable, to help resolve problems.

After record-setting sales year in 2016, things could get bumpy in '17

American drivers bought more new cars and trucks in 2016 than they ever have, edging out the record set just one year earlier. That gave the auto industry an unprecedented seventh consecutive year of sales growth.

About 17.5 million light vehicles were sold throughout the country last year, manufacturers reported, an increase of less

than half a percent over the record set in 2015.

"The economic picture is good, the stock market is strong, wages are edging up, the job picture is good — a lot of factors worked in favor of good car sales," said Michelle Krebs, senior analyst at Autotrader.

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CATA office to close for auto show

The Chicago Automobile Trade Association building in Oakbrook Terrace will close Feb. 3 and reopen Feb. 22. The CATA staff moves temporarily to McCormick Place to produce the 2017 Chicago Auto Show.

Because the CATA building will be closed, association members must make a few adjustments:

- Make sure to order any forms provided free by the CATA — odometer statements, used-car buyer's guides, used-car limited warranty statements — by Jan. 31 to ensure the orders can be processed by Feb. 2.

- Use of meeting rooms at the CATA is suspended Feb. 2-21.

Calls during the period to the CATA's main office phone, (630) 495-2282, will automatically be forwarded to CATA staff at McCormick Place.

Consider 'adopting' a school to attend 2017 Chicago Auto Show

Dealerships can plant a benevolent seed with students by sponsoring a school group's visit to the 2017 Chicago Auto Show. The measure can be a community relations plum and establish customer loyalty with young consumers.

Under the Adopt-A-School Program, a dealer can purchase tickets at \$6 each for students in a group. There is no minimum or maximum potential group size.

New this year, prepaid food vouchers are available (but must be ordered by Feb. 1). The lunch coupon/vouchers are \$7 each.

High schoolers at or near driving age are logical students for a dealership to pair itself with. There are hundreds and hundreds of high schools in the Chicago area, probably more than one within each dealer's relevant market area.

Bill Stasek, proprietor

of Bill Stasek Chevrolet in Wheeling, last year sponsored more than 100 students each from nearby Buffalo Grove High School, John Hersey High School in Arlington Heights, and Vanguard School in Wheeling. Accompanying chaperones are admitted at no charge.

"The schools look forward to the auto show so much, and they wouldn't be able to go without this program," Stasek said. "They really appreciate it, so it creates a lot of goodwill with the schools."

In the program, dealers contact a school's principal or assistant principal to arrange the weekday field trip. Stasek met the groups at McCormick Place and even popped for lunches for everyone.

Dealers interested in "adopting" a school should contact the CATA's Donna Young for more details, at (630) 424-6045.

Member-discounted tickets to 2017 auto show on sale now

Tickets and vouchers that admit the holder to the 2017 Chicago Auto Show free or at a reduced price can be ordered by CATA members using the order form posted at www.CATA.info.

The passes promote goodwill with customers and even can help persuade a prospect to close a deal. Two kinds of passes are available, General Admission ticket and Weekday Discount voucher. The former, which costs CATA members \$600 for 100 tickets, admits the holder to the auto show free, without a box-office wait. The Weekday Discount voucher costs members \$100 for 100 and admits the holder for \$7 during the week.

Regular admission is \$13. A minimum 100 passes must be requested with either order.

In Memoriam

Michael M. Massarelli, patriarch of a family that operates eight new-vehicle franchises in Libertyville, died suddenly Jan. 8 at age 80.

After beginning as a used-car dealer in Chicago in the 1960s, Mr. Massarelli started Liberty Buick in Libertyville in 1965 and later expanded his operation in the northern suburb.

He was proud of his Italian heritage; was an avid fisherman and golfer; and loved a good game of cards. He was a member of St. Joseph Catholic Church, in Libertyville; and Bob O'Link Golf Club, in Highland Park.

Survivors include JoAnn, his wife of 55 years; sons Michael, Joseph and John; and 11 grandchildren. Memorial contributions appreciated to www.lungevity.org.

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Review past editions dating to 1998 or search by subject at www.cata.info.

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Incoming NADA chairman Scarpelli: ‘Dealers are very resilient’

The challenges facing franchised dealers these days are as big as they are diverse.

Regulatory pressure from Washington, D.C. A vehicle recall process that can be frustratingly sluggish.

Technological changes that impact the retail model, vehicle ownership and the vehicles themselves.

But if there’s one thing dealers have in their arsenal it’s this: resiliency.

That was clear when talking with the man who is set to lead the nation’s franchised auto dealer body in 2017: Mark Scarpelli, who is president of Raymond Chevrolet and Raymond Kia, in Antioch, and co-owner of Ray Chevrolet and Ray Chrysler-Jeep-Dodge-Ram in Fox Lake.

Scarpelli, the 2017 chairman of the National Automobile Dealers Association, shared three top priorities for his tenure leading the NADA and the 16,500-plus new-car franchised dealers.

He said in a December interview that he will emphasize how the dealer franchise system benefits the consumer, and work to keep vehicles affordable through advocacy of dealer issues in Washington, D.C.

Scarpelli is prioritizing working with automakers, while also bringing in the next generation of dealers into NADA involvement.

A lot of that work involves keeping the consumer as a top priority.

“At the end of the day, they pay our wages. We want to make sure that our services are something that they want and desire, and that our automobiles — whether they be new, financed or leased — are affordable to them,” Scarpelli said in a recent interview. “We want to make sure that system is intact for them going forward.”

Regulatory challenges

The job of being an auto dealer isn’t necessarily an easy one. There are hurdles to clear, left and right. One of the most talked-about is the regulatory en-

vironment the industry faces.

“Some of the well-intended regulations and laws and initiatives from D.C. are just that. But there are some unintended consequences that we live and we breathe every day, and we deal with,” Scarpelli said.

Regulations around auto financing and initiatives from the Consumer Financial Protection Bureau regarding indirect financing are examples of the hurdles, he said.

Dealers also have to maneuver through recalls and changing fuel-economy regulations.

“At the end of the day, I’ll just gravitate back to what I said earlier, that it’s all about affordability for American families and we want to make sure that affordability for cars is within reach of Americans,” he said.

“Another opportunity for us, as auto dealers, is our fleet — meaning the cars and trucks on the road owned by American consumers — is one of the oldest fleets in a very, very long time. That being said, the turnover, if you will, of older cars to newer cars and trucks ... there’s an opportunity there. And there’s new people coming into the market, meaning new drivers and people that want to upgrade their older automobile.”

The recall process

Another thorn in the side of car dealers and the consumers they serve has been the flood of recalls and the lengthiness it sometimes takes for a fix.

“At the end of the day, car dealers are there to sell, service automobiles and to please the public,” Scarpelli said. “And in our case, as an automobile dealer, trust me, we will service and fix recalled vehicles 100 percent of the time, every day until the end of time. One of the roadblocks that currently exists is the parts availability for some recalls.

“Many times, recalls are announced to consumers the same time that we, the automobile dealer, find out. So, we

end up getting a black eye, if you will, when we don’t have the parts or we’re not up to speed for the recall — meaning that if we had availability of parts, we could fix them right away,” he said.

“And we have no interest in not fixing them right away. Consumer safety and getting that car back to where it was originally designed to be is our primary interest, period,” Scarpelli said.

“The solution, really, is to have safety regulators recognize that not all recalls present an imminent threat to safety, and for some of our dealers to acknowledge that recalls need to be fixed right away and should be fixed before the sale of the automobile. So that’s how I think we can get there.”

Response to online shifts

Think about the way a consumer might shop for a car today. Instead of driving to six to eight dealerships, he said, the shopper is able to compare stores online.

But while they can narrow down their choices through a smartphone, tablet or laptop, “there’s still a large part of the American buying public that still loves to go and touch and drive and feel that new automobile,” Scarpelli said.

“Whether it starts online or looking on dealers’ lots, at the end of the day, it’s still an emotional purchase,” he said. “Meaning that, you’re excited about the new color or that it’s got eight cylinders versus six cylinders or it’s got the rear-seat, child-seat warning — which is a cool option, by the way — or the backup camera. Those things can’t be demonstrated online or in a list of options.

“People still need to come into an automobile dealership and touch and feel that stuff, which is the benefit of our large dealer network that we have in America.

“Automobile dealers are very resilient,” he said. “I’ve been in the business since I was 22; I’m 52 now.”

Tweets

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the only Mexican assembly plant publicly announced by a U.S. automaker. Not that Ford's decision to cease construction at the plant in San Luis Potosi, north of Mexico City, was pure PR.

The San Luis Potosi factory — with construction about 10 percent complete, according to Ford — was intended to turn out the subcompact Ford Focus. Shutting it down will have a real (though unrevealed) cost for Ford, while disappointing Mexican workers who were counting on good jobs.

Ford said production would be shifted to an existing Michigan assembly plant, and that it would spend \$700 million on U.S. production of an all-electric version of the car.

Ford Chief Executive Mark Fields had tangled with Trump during the election, protesting that no jobs in Michigan would be lost as the local Focus plant shifted to building new pickups and SUVs.

But Trump didn't let up, and Fields early this month gave up on the Mexico plant. He told reporters the decision had nothing to do with the president-elect. In fact, the market for cars such as the Focus is shrinking as U.S. buyers increasingly favor trucks and SUVs.

Although Fields denied that Trump played into Ford's

retreat from the Mexico plant, and Fiat Chrysler's chief executive, Sergio Marchionne, also said its decision was "coincidental" to Trump's public criticism, industry analysts say automakers are under pressure.

"The auto manufacturers have to consider the incoming administration as they make announcements regarding the production of vehicles," said Efraim Levy, financial analyst at CFRA. "Despite Mr. Field's protestations, I think the final nail in this decision was the president-elect."

Trump's ire was not restricted to Ford. He fired some Twitter shots at General Motors and Toyota as well.

On Jan. 3, the president-elect tweeted: "General Motors is sending Mexican made model of Chevy Cruze to U.S. car dealers-tax free across border. Make in U.S.A. or pay big border tax!"

On Jan. 8 in Detroit, GM Chief Executive Mary Barra told reporters it would be highly disruptive and expensive to kill an existing car plant.

"This is a long-lead business with highly capital-intensive investments — two, three and four years ago," Barra said, according to MarketWatch.

Ron Harbour, auto manufacturing consultant with Oliver Wyman, agreed: "You can't just tomorrow change the footprint that's there."

Forecast

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American automakers, in particular, were able to match or exceed last year's sales totals. Ford had its best sales year in a decade in 2016, the company said, outpacing the previous year by a sliver to sell 2.6 million vehicles. The other Detroit heavyweights, GM and Fiat Chrysler, saw a 1.8 percent increase and no change, respectively.

"Automakers accelerated incentives and promotions the last couple months of the year, sweetening the pot until the year closed," Krebs said.

"Their efforts," she said, "paid off in higher-than-predicted December sales that [made] 2016 a record-setter."

The results were a bit more mixed for foreign car companies.

Japan-based Honda sold a record 1.6 million cars in the U.S. in 2016, the company reported, a 3.2 percent increase over the previous year's record. Meanwhile, Toyota saw its U.S. sales decline 2 percent in 2016 compared to the year prior, the company's first decline in

sales since 2012.

Volkswagen ended the year with U.S. sales down 7.6 percent. The German company was rocked by scandal in 2015 when it was found to have rigged 11 million diesel engine cars with devices to evade emissions tests. A settlement approved in U.S. District Court in October required the company to pay \$14.7 billion in penalties, the largest sum in history for an automaker.

For the second year in a row, small sport utility vehicles were the most popular category of new cars as consumers continued to migrate away from small cars and sedans. That shift is driven in part by lower gas prices, as well as preferences for larger vehicles among young families and baby boomers, analysts said.

Many analysts projected last year would surpass 2015's sales record of 17.5 million, even if only by a few thousand vehicles, as the positive momentum that has buoyed the industry in recent years seems to remain in place. Fuel prices were relatively low, the unemployment rate declined, and credit

continued to flow with ease.

But there were also signs that demand wasn't quite as enthusiastic as years past. Data shows that cars were sitting on dealers' lots longer before being sold and that sellers were offering larger discounts to get deals done. That may be attributed in part to the fact that pent-up demand from the financial downturn has begun to dissipate.

Forecasts show that car sales are expected to plateau or decline over the next several years, part of the cyclical ebb that analysts expect after so many consecutive years of sales growth. Higher interest rates and uncertainty over the incoming administration could also have a cooling effect on the market, analysts warned.

President-elect Donald Trump has been critical of some American automakers who produce cars in Mexico. Earlier this week, Trump criticized GM for manufacturing some Chevy Cruze vehicles south of the border, then praised Ford for abandoning plans to open a new plant there.

"I think 2017, if I had to describe it, is a year of uncertainty," Krebs said.